

Cabinet Secretariat Reference	
Submission No.	MSSPC 1
Copy No.	

**Submission to:** Major & State Significant Projects Committee

**Submission Title:** East West Link – reference design, invitation for expression of interest and early works

**Portfolio/s:** Roads, Public Transport

## SUBMISSION PROPOSAL

### **Recommendation:**

That the Major & State Significant Projects Committee (**MSSPC**) agree to:

1. Approve the announcement and release of the East West Link Stage One Reference Design on 16 July 2013 as set out in **Attachment A**, including to:
  - a. Approve the project boundary which will cover a vacant section of the EVO title, and allow compensation to owners for loss of value under the Land Acquisition and Compensation Act (1986), at an estimated cost of \$50-55million;
  - b. Note that the Reference Design includes the connecting section from the western end of Stage One to the Port of Melbourne for planning purposes only;
  - c. Approve the communications, media and landowner engagement plan;
  - d. Delegate final authorisation for all communications materials to support the release of the Reference Design to the Premier, Treasurer, and Minister for Roads;
  - e. Note the process for dealing with other affected land owners.
2. Approve the release of the Invitation for Expressions of Interest (**the EOI Document**) for the Public Private Partnership (PPP) procurement of Stage One of the East West Link as set out in **Attachment B** on 18 July 2013, subject to final edits being approved by the Treasurer, including to:
  - a. Delegate authorisation for the communications and media plan, including all communications materials, to support the release of the EOI Document to the Premier, Treasurer, and Minister for Roads.
3. Approve the Hoddle Street viaduct as an Early Works package as set out in **Attachment C**, including to:
  - a. Note intention to go to market for a design contract in July/August 2013 with a subsequent report back to Budget Expenditure Review Committee on expected

scope, cost and risk prior to issuing a construction tender;

- b. Note that the Planning & Environment Act will be used to enable timely acquisition of 17 private properties, subject to a review of associated litigation risk;
  - c. Note the final approval of the planning pathway for Early Works rests with the Minister for Planning;
  - d. Note the intention to commence the separate Early Works procurement process in late July/early August with issue of a Request for Tenders (RfT) for the design of the viaduct;
  - e. Note that a separate communications strategy will be developed for the separate Early Works procurement process for future Government approval prior to the release of the RfT.
4. Approve the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia* at **Attachment D**, and the associated Infrastructure Australia Templates 1-7 at **Attachment E**.
  5. Note that the Premier, Treasurer and the Minister for Roads have approved the transmittal of business case information, including templates to Infrastructure Australia.
  6. Confirm the Major and Significant State Projects Committee as the responsible cabinet committee for the East West Link project, subject to Budget and Expenditure Review Committee continuing to consider financial and budgetary matters.

### **Objectives:**

1. Approve the project Reference Design and associated communications, media and community engagement plan to enable its public release on 16 July.
2. Approve the EOI Document for the PPP procurement of Stage One of the East West Link and associated communications and media plan to enable its public release on 18 July 2013.
3. Approve the Hoddle Street viaduct for separate procurement as an Early Works package.
4. Approve business case information and Infrastructure Australia templates for East West Link Stage One.

### **Key Issues:**

#### **Background**

1. The Budget and Expenditure Review Committee (**BERC**) considered a submission in relation to the East West Link on 24 June 2013 and resolved, inter alia, to:
  - a. approve in principle the Reference Design and community engagement plan subject to final agreement by the Premier, Treasurer and the Minister for

Roads.

- b. approve the EOI evaluation criteria, the proposed approach to other key EOI issues and the timeframes for the EOI, subject to final agreement by the Premier, Treasurer and the Minister for Roads.
- c. note the *East West Link Stage One Short Form Business Case – Information for Infrastructure Australia* and note that the Premier, Treasurer and the Minister for Roads will approve its transmittal to Infrastructure Australia.

## **Reference Design**

### *Property Acquisition*

2. The project area includes a number of surface properties that will need to be acquired to deliver the project. In the area of Stage 1 there are 123 surface properties that will need to be acquired, and an additional 36 surface properties to deliver the project to the Port of Melbourne. The Land Acquisition and Compensation Act defines a fair and equitable regime for this compulsory acquisition process which is detailed in **Attachment A**.

### *EVO apartments and adjacent buildings*

3. BEREC noted on 24 June 2013 that the Reference Design would create high amenity impacts on a large residential development currently under construction in West Parkville (the EVO apartments) and adjacent buildings.
4. BEREC noted four options to address these impacts. Presently, the option that affects the vacant land on the EVO development title and enables acquisition and compensation or compensation only (*under the Land Acquisition and Compensation Act (1986)*) [Option 3] is preferred. The option that all properties in the affected area may be purchased [Option 4] is also considered to be an alternate preferred proposition.
5. Accordingly, based on Option 3 the Reference Design and project boundary will cover the EVO apartments and adjacent buildings in West Parkville including a vacant section of the EVO title, and therefore enables owners to be compensated for loss of value under the Land Acquisition and Compensation Act (1986).
6. This option positions EVO property owners to receive equitable compensation for what is a loss of amenity. Property owners in adjacent buildings do not suffer comparable amenity impacts and therefore do not warrant similar compensation.
7. The estimated cost of this option is \$50-55million, and is not included in the current project funding allocation.

### *Port of Melbourne connection*

8. The Reference Design includes the connecting section to the Port of Melbourne for planning purposes only.

### *Communications, media and landowner engagement*

9. The communications plan to support the release of the Reference Design aims to achieve two objectives: to advise affected landowners sensitively and with due consideration; and to focus public debate on the project's overall benefits for Melbourne and Victoria.

10. Considering options to balance its objectives, LMA recommends that Government:
  - a. On or around 8 July, inform affected landowners that an announcement regarding project impacts will soon be made, mitigating the newsworthiness of the communication;
  - b. On 15 July, inform affected landowners of specific impacts to their property and the process going forward, including the opportunity for further follow-up discussions; and
  - c. On 16 July, convene a press conference to communicate the detailed project design, its contribution to the economy and other benefits, the project's property impacts, and the process going forward to support affected landowners. This event would be led by the Premier, Treasurer and Minister for Roads, and attended by business and civic leaders.
11. In addition, LMA proposes continuing to undertake community and stakeholder consultation activities to understand their views and concerns about the detailed project design, including as required under the provisions of the MTPF Act.
12. Further detail on the EVO apartments issue, the inclusion of the Port of Melbourne connection in the Reference Design for planning purposes, and the communications, media and landowner engagement plan are presented in **Attachment A**.

#### **Expressions of Interest**

13. A critical milestone in the PPP procurement of the East West Link, Stage One is the release of the EOI Document scheduled for 18 July 2013.
14. This document will be published on the Victorian Government Tenders website and as such will be a publicly available document.
15. The Linking Melbourne Authority is currently finalising the EOI Document, the purpose of which is to:
  - a. Provide information to potential respondents about the project;
  - b. Outline the tender process and procurement timetable;
  - c. invite potential respondents to submit EOIs and identify the information which must be included;
  - d. set out the evaluation criteria which the State will use to select short-listed respondents; and
  - e. elicit views and seek information on targeted issues related to the project to assist Government's decision making on the project when developing the Request for Proposal documentation.
16. A critical aspect of the EOI process is the setting of the evaluation criteria that will be used to differentiate bidders. BEREC approved the following evaluation criteria during its meeting on 24 June 2013:
  - a. Design and construction capability and experience;
  - b. Operation and maintenance capability and experience;
  - c. Stakeholder engagement;

- d. Financing capacity and capability;
- e. Commercial structure; and
- f. Innovation.

17. The EOI Document will also provide further important information to bidders on the following key issues:

- a. Design and construction issues and risks
- b. The parallel conduct of the MTPFA process
- c. Relationship of the PPP procurement to other parts of the broader Stage One scheme (including complementary road network and public transport upgrades and the separate procurement of toll collection services)
- d. Interactions with the broader road network
- e. Government contribution
- f. Key principals of the proposed PPP payment mechanism
- g. Contract term
- h. Tender process issues (requirements in relation to compliance with the Victorian Construction Code and Guidelines, the intended number of shortlisted bidders, bid cost reimbursement and other probity and process requirements).

18. A draft version of the content of the EOI Document is set out in **Attachment B**. It is proposed that final edits, including document design and desktop publishing aspects of the EOI Document, be approved by DTF ahead of its release on 18 July 2013.

19. It is also proposed that the Premier, Treasurer and Minister for Roads approve the communications and media plan, together with communications materials, to support the release of the EOI.

### **Early Works**

20. A briefing note was submitted to the Minister for Roads on 5 June 2013 noting two options for early works procurement as part of the EWL project:

- a. Hoddle Street Viaduct at the Hoddle Street/Eastern Freeway interchange (see Attachment 1) to enable more efficient movement of heavy northbound to east traffic including DART bus services and replacement of the existing pedestrian bridge over the Eastern Freeway east of Hoddle Street; and
- b. Eastern Freeway median pavement works from west of Merri Creek to east of Hoddle Street.

21. The proposed viaduct from Hoddle Street to the Eastern Freeway would:

- a. allow a highly visible element of the EWL project to commence ahead of the main works;
- b. if operational before EWL construction is underway, provide space and lay down areas for tunnel portal construction west of Hoddle Street; and
- c. facilitate more efficient northbound to east traffic movement, including DART

bus services.

22. There are significant benefits for the State in undertaking the Hoddle St viaduct as an early works package, in particular to facilitate future works at the eastern portal of the EWL tunnel, provide early employment opportunities, set a strong vision for urban design and public amenity for the project, and early delivery of traffic flow benefits.
23. The Eastern Freeway median pavement works provide up to 6 additional lanes for traffic to use the EWL tunnels. Undertaking this as early works is beneficial by creating lay down areas and direct access onto the Eastern Freeway for materials supply and spoil removal.
24. The indicative cost estimate for the viaduct is \$130-\$140 million, including \$20 million for land acquisition. The indicative cost for the Eastern Freeway median pavement works is \$30-\$40 million.
25. LMA considers that the current allocation of \$165m for land acquisition will not be fully spent in the FY13/14. These funds could be allocated towards early works and the funding allocation for future years revised to reflect the bringing forward of some of the project works. A report back to Budget Expenditure Review Committee on the impacts on the forward estimates will be made prior to issuing a construction tender.

## **ISSUES**

### Hoddle Street Viaduct

26. The procurement process could commence in late July or early August 2013 (by confining the tender release to a design contract) with construction commencing in mid 2014.
27. By commencing the procurement processes ahead of the proposed MTPFA amendments, this will signal to the community the intention to carry out the early works ahead of completion of the CIS process for the main EWL works. An appropriate communications strategy will need to be developed.
28. Construction of the viaduct requires the acquisition of 17 residential properties in Bendigo Street, Collingwood. The compulsory acquisition of these properties can only proceed once a public acquisition overlay (PAO) has been put into the Yarra Council Planning Scheme.
29. It is proposed that the Minister for Planning would use the Planning and Environment Act to streamline the planning approval process. This process would take up to 4-6 months at which point the acquisition of the above private properties could commence.
30. Compulsory acquisition of the required properties would normally take approximately 12 months to complete. Therefore private property acquisition could commence in early 2014 and be completed by early 2015 which would mean that construction could commence in those areas at the latest by early 2015.
31. Construction is expected to take two years, although will be dependent on how quickly the acquisition process occurs and property access can be provided.
32. Further detail on the proposed Hoddle St viaduct early works package, including the

benefits, planning and procurement plan and costing can be found in **Attachment C**

### **Short Form Business Case**

33. The East West Link from the Eastern Freeway to Western Ring Road is a city shaping project of national importance, transforming Melbourne's freeway network. As well as the core tunnel project and connections between Eastern Freeway and CityLink as part of the Stage One works, further upgrades to the network are required to maximise the value of this significant investment for the State.
34. A transport network analysis, described in the attached *East West Link Stage One Short Form Business Case – Information to Infrastructure Australia*, has shown that maximising the benefits of Stage One requires delivery of the following four integral elements:
35. The [6km] tolled road between Eastern Freeway and CityLink (with north and south connections).
36. The widening of Eastern Freeway from Hoddle Street to possibly Tram Road, Doncaster including managed motor ways (possibly to Springvale Road).
37. The widening of CityLink generally between M1 and Bulla Road including managed motorways.
38. Traffic priority enhancements for Doncaster buses and north-south trams on approaches to the central business district (CBD).
39. Delivery of these elements as part of an integrated project has high economic worth, with a benefit:cost ratio (BCR) of 1.4 including wider economic benefits (WEBs) related to the city shaping nature of this investment. The BCR excluding WEBs is 0.8.

### **Infrastructure Australia Templates**

40. The submission to Infrastructure Australia aligns with the investment decision made by the State as part of its BEREC consideration in April 2013.
41. Information about the project has been prepared in the form of Infrastructure Australia requirements by way of Templates 1 to 7 and has the same information as in the *East West Link Stage One Short Form Business Case – Information to Infrastructure Australia*. [See earlier comments re schedule 7]

### **Risks:**

1. Achievement of project deadlines requires timely decision making on key elements of the procurement and statutory approvals.
2. Risk of negative media reaction to the Reference Design release.
3. A number of Early Works risks have been identified that can be actively managed, including timely acquisition of affected properties, possible coordination and interface issues with other PPP works, and the possibility of legal challenges to the planning process (see **Attachment C**).
4. Achievement of the Premier's commitment that a Business Case will be provided to Infrastructure Australia before end June 2013.

**Support/Criticism:**

1. There has been strong industry and community support for the project to date
2. Initial community engagement has highlighted some local concerns about impacts along the East West corridor
3. Community engagement to gather input and inform the project development will continue throughout project delivery.

**Terry Mulder MP  
Minister for Public Transport  
Minister for Roads**

**Date:**

## FUNDING

The East West Link between Eastern Freeway and CityLink has been included in Government Forward projections as a \$6B to \$8B project, including \$200m for Public Transport Improvement Works as part of a funding decision of 8 April 2013. In addition, a provision of \$200m for enabling works to maximise the benefits of East West Link Stage One was agreed at the 8 April 2013 BEREC meeting.

**DTF and the Department have agreed the financial implications and costings in this submission:**

**Yes**

**No**

## IMPACT ASSESSMENTS

### **Social Impacts:**

1. Enhanced transport networks, for both private vehicles and public transport, will facilitate improved mobility and access for all.
2. Potential negative impacts from construction activity, changed traffic conditions and changed urban form will need to be considered and mitigated as part of the project.

### **Family Impacts:**

1. The project will create benefits for families through improved access to jobs and services.
2. The project will impact families whose properties are required for acquisition. Impacts are mitigated under the terms of the Land Acquisition and Compensation Act (1986).

### **Regional and Rural Victorian Impacts:**

1. The East West Link Stage One will provide more cross Melbourne transport options and improved access to the Port of Melbourne in support of rural and regional economies.

### **Economic Impacts:**

1. Enhancing the transport network will assist supply chain efficiency, business to business interaction and improve the competitiveness of the Victorian economy.
2. Improved freight network capacity and efficiency will contribute to State productivity.
3. Significant construction activity will support the Victorian economy during project delivery, noting that funding options and impacts are yet to be determined.

### **Regulatory burden, offsetting reductions and evaluation strategy:**

Does the submission propose an increase in regulatory burden on the business or not-for-profit sectors that is likely to be 'material' as defined in the Victorian Regulatory Change Measurement (RCM) Manual?

Yes

No

### **Environmental Impacts:**

1. The project will achieve a number of outcomes, such as smoother traffic flow, improved access to employment and housing and more efficient public transport that will create a positive environmental outcome.
2. The project will be developed in a manner that seeks to minimise any potential negative environmental impacts of construction, operation and traffic use.

### **Charter of Human Rights and Responsibilities Impacts:**

1. The process will be managed to take account of relevant obligations and ensure that any recommendations to government are consistent with relevant responsibilities.